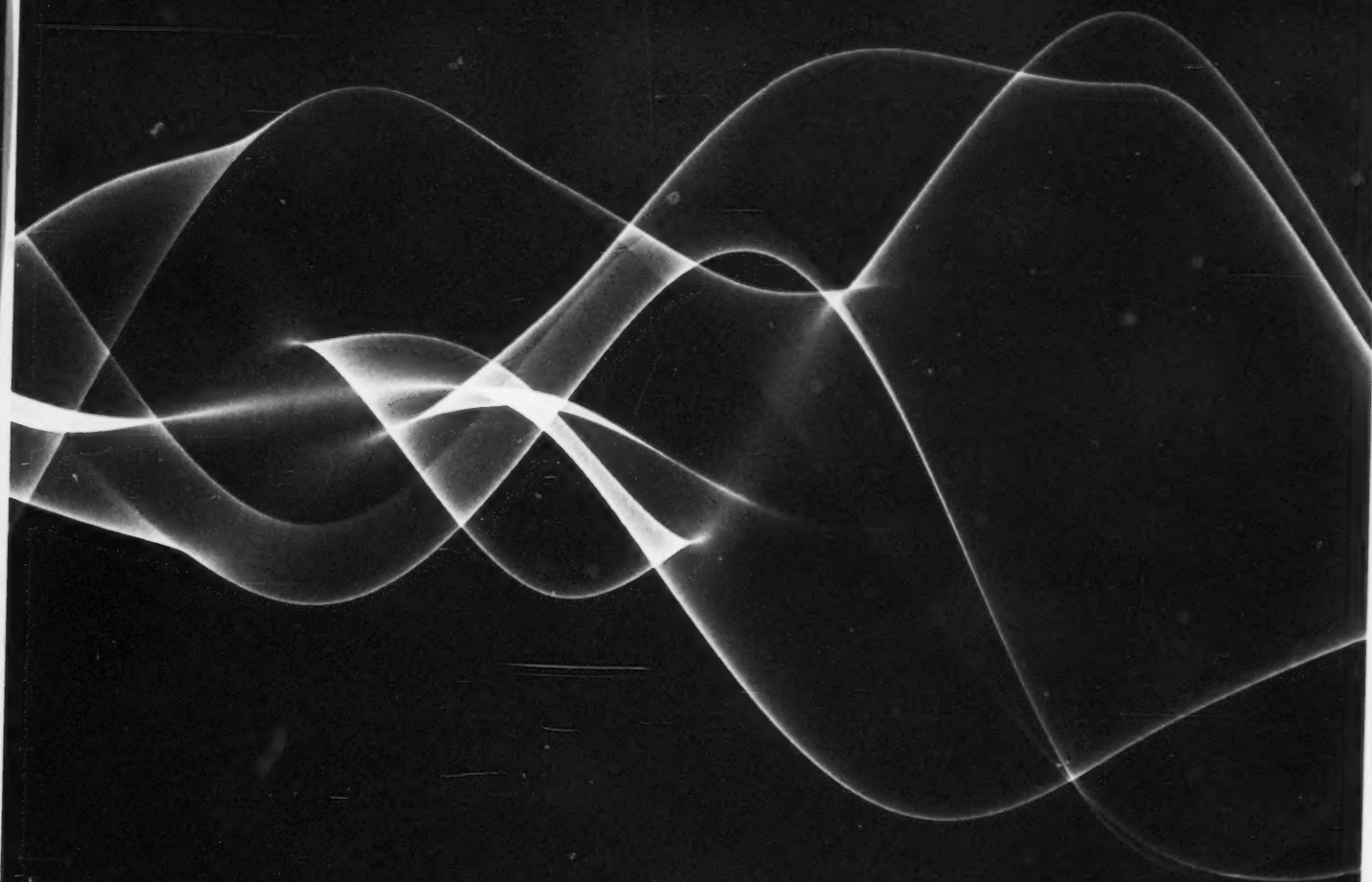


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ANNUAL SERVICE PLAN REPORT FISCAL YEAR 2009/10

FOR THE PERIOD APRIL 1, 2009 TO MARCH 31, 2010

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COLUMBIA
INNOVATION
COUNCIL



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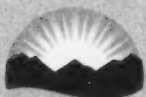
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The Best Place on Earth

MESSAGE FROM THE CHAIR



Greg Aasen
Chair, BC Innovation Council

Dear Minister Black,

On behalf of the Board of Directors and the employees of the BC Innovation Council (BCIC), I am pleased to present the organization's Annual Service Plan Report for the fiscal year 2009/10.

BCIC is the Province's lead organization with a mandate to develop entrepreneurial talent and commercialize technology through startup companies and partnerships between industry and academia. BCIC is committed to growing our science and technology communities, which will result in increased and significant employment opportunities and a high standard of living for British Columbians.

BCIC is in a unique position in its relationships with government, industry and academia to increase the commercialization of technology. The objective is to create jobs and generate revenue for the province where the return on investment is substantial for all regions of BC.

In 2009, BCIC refined its mission and strategic framework to build programs and develop initiatives in the following areas:

Entrepreneurial talent development and retention. BCIC is helping to foster an environment that encourages people to become technology entrepreneurs while building the entrepreneurial infrastructure and high quality jobs that will allow them to stay in BC.

Commercialization of Technology. BCIC has commenced its goal to build a network of **incubators** inside educational institutions to train students to be entrepreneurs and launch startup companies. For example, BCIC has launched its Entrepreneurship@ program with industry partners at the University of Victoria and the University of British Columbia. Students in these programs will become BC's future business leaders who will help grow the provincial economy. Similarly, BCIC is building a network of business **accelerators** to rapidly develop early stage technology companies as BC shifts from a resource to a knowledge-based economy.

BCIC will also facilitate **partnerships between academia and industry** to solve real world problems through direct and applied research. BCIC is looking forward to fostering new partnerships and continuing to drive innovation in the province.

As a reflection of BCIC's refined mission, new goals and measures have been adopted in BCIC's 2010/11 – 2012/13 Service Plan to replace those reviewed in this report. This is BCIC's final year to report on the three goals and nine measures in this Annual Service Plan Report. BCIC has met or exceeded six of its nine measures.

FINANCIAL POSITION

Through leveraging of funds, knowledge and industry expertise, BCIC maximizes the value of every dollar it spends. BCIC's existing resources are fully committed to Board-approved programs and sector initiatives.

From a fiscal perspective, 2009/10 expenditures totaled \$10.97 million, which are in line with the budget forecast set out in our 2009/10 – 2011/12 Service Plan.

BCIC remained in a solid financial position at the end of fiscal 2009/10. Along with the funding it receives from the Ministry of Small Business, Technology and Economic Development, BCIC will continue to partner with federal and provincial government agencies, research institutions, industry and regional groups to carry out programs and initiatives that align with its mandate.

LOOKING FORWARD

Reflecting on the goals accomplished this past year, with a new change in direction and mandate, the Board and management are excited that BCIC has persevered through the transition and launched new programs and initiatives that develop entrepreneurial talent and the commercialization of technology in BC.

BCIC's role in strengthening the knowledge economy is critical to the continued growth of the provincial technology sector. BCIC's strong presence in creating new programs to encourage the growth of new entrepreneurs and startups in BC will drive the knowledge economy in the province.

MESSAGE FROM THE CHAIR

From the success of implementing new programs and supporting existing ones that benefit the development of entrepreneurial talent in BC, BCIC is now even more determined to continue to excel in meeting the needs of the growing tech startup community. We owe many thanks to our partners and the strong support from government that has aided and supported us in carrying out our vision. We are confident that the dollars expended to cultivate the entrepreneurial infrastructure in BC will pay off and in turn, create more job opportunities and provide a high standard of living for British Columbians. BCIC will strive to work even harder to promote entrepreneurial talent and commercialization of technology, as the bar was set high when we achieved our goals last year.

I would like to thank you, as well as Deputy Minister Don Fast and Ministry personnel, for your strong support. I look forward to our continued conversations and collaborations as we work towards building the best economic opportunities for British Columbians and strengthening BCIC's role in growing our knowledge economy.

Yours truly,



Greg Aasen,
Chair, BC Innovation Council

June 1, 2010

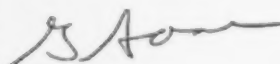
ACCOUNTABILITY STATEMENT

The 2009/10 BC Innovation Council Annual Service Plan Report was prepared under the Board's direction in accordance with the Budget Transparency and Accountability Act. The Board is accountable for the contents of the report.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BC Innovation Council for the 12 months ending March 31st, 2010. The measures presented are consistent with the BC Innovation Council's mission, goals and objectives, and focus on aspects critical to the organization's performance.

The Board is responsible for ensuring internal controls are in place to confirm that performance information is measured accurately and in a timely fashion.

All significant decisions, events and identified risks, as of June 1, 2010, have been considered in preparing the report. The report contains estimates and interpretive information that represent the best judgment of management. Its contents are consistent with the Shareholder's Letter of Expectations received from the Minister of Small Business, Technology and Economic Development in 2009.



Greg Aasen,
Chair, BC Innovation Council

June 1, 2010

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ORGANIZATIONAL OVERVIEW

The BC Innovation Council is a provincial Crown agency operating under the British Columbia Innovation Council Act (Amended in Bill 15 - 2006).

BENEFITS FOR BRITISH COLUMBIANS

A fundamental function of BCIC is to promote economic development. In the context of the Council's mandate, this is best accomplished by training science and technology entrepreneurs to develop successful companies that will create jobs and tax revenues for the province. BCIC's programs help train entrepreneurs and monetize research into commercial ventures. In the process, we are also increasing awareness of BC as a viable location for the international business community to invest in.

MANDATE

The Provincial Government has provided the following direction to the Council in order to ensure it fulfills its objectives as stated in Section 3, Objectives of Council, of the British Columbia Innovation Council Act:

- i. Encourage development and application of advanced or innovative technology and the talent that drives it to meet the needs of industry in British Columbia. This includes the implementation, administration and funding of programs and the organization and management of projects and initiatives that serve to further the objectives set out in this section;
- ii. Consider all matters brought to its attention by the Minister and if required by the Minister, report its findings to the Minister;
- iii. Formulate recommendations to the government respecting the acquisition, development and dissemination of scientific, technological and scholarly knowledge to promote the industrial, economic and social development of British Columbia;
- iv. Advise the Minister on implementation of science policy;
- v. Gather and organize information on scientific research;
- vi. Facilitate discussions on science policy with Canada or a province or with an interested person;
- vii. Recommend to the Minister, the establishment and awarding of fellowships, scholarships, exhibitions, bursaries, grants and prizes to encourage development of improved technology and retention of skilled research personnel in British Columbia; and,
- viii. Evaluate research and development proposals and make recommendations to the Minister respecting funding of these proposals.

The Council's actions and decisions shall be broadly guided by the principle of maximizing value for money. This philosophy shall be articulated in both actions and reporting. The activities of the Council shall be compliant with Government's investment principles for the advancement of research and innovation in British Columbia, as articulated in the British Columbia Research and Innovation Strategy.

VISION

A strong and rapidly growing knowledge economy resulting in a better life for all British Columbians.

MISSION

To promote the development of entrepreneurs and the commercialization of technology through startup companies and partnerships between industry and academia.

ORGANIZATIONAL OVERVIEW

VALUES

BCIC's core values guide its operations. They include:

- **Results valued by shareholders and clients:** BCIC is very results oriented, gauging its success by the positive outcomes of its activities. The Council is continually monitoring its programs and services with its partners and clients to ensure outcomes clearly fulfill its mandate.
- **Collaboration:** At the core of all BCIC programs is a synergy developed through collaboration with partners to create programs valued by BCIC clients and stakeholders.
- **Integrity:** BCIC is firmly committed to meeting the highest standard of integrity expected by citizens and government alike. As a result BCIC is openly accountable in all its activities by ensuring that efficient, transparent and fair processes are followed.
- **Entrepreneurial:** Just as BCIC promotes an entrepreneurial spirit amongst those starting ventures in the province, it is committed to fulfilling its own mandate and running its operations with the same entrepreneurial spirit in mind. Being a relatively small agency allows the Council to put creativity and originality at the forefront of its programs.

CORPORATE GOVERNANCE

The BC Innovation Council follows, and is in compliance with, the Board Governance guidelines posted on the Board Resourcing and Development Office (BRDO) website.

The Lieutenant Governor, through Order-in-Council, appoints the members of the BC Innovation Council Board, and delegates the role of the Chair. The Board Chair reports to the British Columbia Legislative Assembly through the Minister of Small Business, Technology and Economic Development. The Board of Directors has 11 members:

- Greg Aasen, Chair
- Jonathan Burke
- Gurval Caer
- Jock Finlayson
- Richard Glickman
- Doug Horswill
- Greg Kerfoot
- Jill Leversage
- Martha Salcudean
- Morgan Sturdy
- Alan Winter

There are currently four vacancies.

THE BOARD

- Sets the strategic direction and approves appropriate plans from management;
- Recruits, empowers and monitors the executive management;
- Shepherds and safeguards Council resources, approving major financial decisions, ensuring internal controls are in-place and addressing areas of risk; and,
- Measures corporate performance, reporting regularly to the stakeholders to ensure compliance with applicable laws and ethical standards.

BOARD COMMITTEES

The **Audit and Finance Committee** helps the Board fulfill its obligations and oversee responsibilities relating to the audit process, financial reporting, corporate control systems and risk management. When required, it makes recommendations to the full Board for approval.

- Committee members: Jock Finlayson, Jill Leversage, Jonathan Burke

The **Governance and Board Nomination Committee** reviews Board policies and practices, ensuring the Council fulfills its legislated mandate and implements effective due diligence over the Council's governance.

- Committee members: Richard Glickman, Greg Kerfoot, Morgan Sturdy

The **Programs Committee** reviews and approves all major programs BCIC management brings forward for due consideration. The Committee may, from time to time, be the source of new program ideas and the design thereof.

- Committee members: Greg Aasen, Greg Kerfoot, Alan Winter

The **Human Resources and Compensation Committee** assists the Board in fulfilling its oversight responsibilities with respect to the Council's staff policies and practices.

- Committee members: Richard Glickman, Alan Winter, Doug Horswill

CORPORATE GOVERNANCE

GOVERNANCE PRINCIPLES

The Council's Board has adopted the guiding principles outlined in the Province of British Columbia's Governance Framework for Crown Corporations in establishing a framework from which to operate.

These principles include:

- Stewardship, leadership and effective functioning of the Board,
- Performance and value, innovation and continuous improvement.

GOVERNANCE DISCLOSURE

The Council's governance documents and related disclosure practices are available at <http://www.bcic.ca/about-us/governance>, as well as from BCIC's Chief Financial Officer, Vice President Business Development who keeps a full log and library of all documents related to Council and its activities.

SENIOR MANAGEMENT TEAM

Dean Rockwell – Chief Executive Officer

Lisa Payne – Chief Financial Officer, Vice President Business Development

Lin Kishore – Director, Marketing & Communications

LOCATION

BCIC's office is located at the Leading Edge Technology Centre in downtown Vancouver, where technology industry associations and other complementary organizations are also located. These include:

- Academy for Technology CEOs (ACETECH)
- BC Progress Board
- BC Renaissance Capital Fund
- BC Technology Industries Association (BCTIA)
- Digital Media and Wireless Association of BC (DigiBC)
- Leading Edge Endowment Fund
- LifeSciences BC
- National Research Council Canada – Industrial Research Assistance Program (NRC-IRAP)
- New Ventures BC
- Science Fair Foundation BC

OVERVIEW OF CORE BUSINESS

BCIC is the Province's lead organization with a mandate to promote the development of entrepreneurial talent and the commercialization of technology to competitively position British Columbia in today's global knowledge economy.

BCIC has created programs supporting talent development and retention and the commercialization of technology. These programs are often partnerships with organizations and academic institutions enabling the Council to cater to the specific needs of technology entrepreneurs.

BCIC's programs focus on sectors where BC has competitive advantages. They include information communications technology, wireless, digital media, web 2.0, video games, digital animation, special effects, clean technology and life sciences.

BCIC PROGRAMS

BCIC has three program areas with programs and initiatives under each to meet its mandate. The program areas are as follows:

- Entrepreneurial Talent Development and Retention
- Commercialization of Technology
- Technology Awareness

PROGRAM AREA: ENTREPRENEURIAL TALENT DEVELOPMENT AND RETENTION

BCIC helps to foster an environment that encourages people to become entrepreneurs. BCIC is also helping to create the entrepreneurial infrastructure and high quality jobs that will allow entrepreneurs to stay and succeed in BC. For example:

ACETECH's Regional Outreach Program: BCIC has partnered with ACETECH to deliver their Growth Strategy Program to develop technology CEOs throughout BC. ACETECH delivers programs with best practices, experience based learning and ongoing mentoring exclusively for CEOs of technology companies.

All of BCIC's programs related to business incubation and acceleration are heavily oriented toward the development of entrepreneurial talent.

PROGRAM AREA: COMMERCIALIZATION OF TECHNOLOGY

BCIC's commercialization of technology program area focuses on building incubators, accelerators and facilitating partnerships between academia and industry to solve real world problems through direct and applied research.

Building a network of incubators

BCIC is building a network of incubators inside educational institutions to train students to become entrepreneurs and launch startup companies. For example:

Entrepreneurship@UBC: BCIC has developed this program at UBC to provide students with mentorship from the business community and an opportunity to start their companies with pre-seed capital from the program's venture fund.

Building a network of accelerators

BCIC is also building a network of business accelerators to rapidly grow early stage technology companies through a variety of programs. For example:

The New Ventures BC (NVBC) Competition: BCIC has partnered with NVBC to provide entrepreneurs with the tools and resources needed to successfully take their ideas to the marketplace.

Increasing partnerships between academia and industry

BCIC will also be instrumental in increasing partnerships between academia and industry to solve real world problems through direct and applied research. BCIC is currently developing initiatives for launch in this fiscal year.

OVERVIEW OF CORE BUSINESS

BCIC's annual CONNECT event is currently the flagship for introducing industry people to research teams from academia.

PROGRAM AREA: TECHNOLOGY AWARENESS

Underlying all its programs and initiatives is the Council's intention to increase awareness of BC's science and technology sectors domestically and internationally. BCIC does this by:

Linking BC companies to international growth opportunities

BCIC links BC technology companies to opportunities that provide international exposure and offers the potential for valuable connections leading to partnerships, collaborations and growth. For example:

This year, BCIC supported **Metabridge**, an initiative that provides BC technology companies with direct connection and access to key international technology partners for customer, investment, strategic partnerships, mentorship and advisory opportunities.

Increasing awareness of BC achievements

BCIC increases awareness of the incredible achievements of BC's technology community through prominent recognition events. For example:

BCTIA's Technology Impact Awards: BCIC helps promote and celebrate individuals and organizations that have made outstanding contributions to the development of BC's science and technology industry.

CONNECT and the BC Innovation Council (BCIC) Awards: BCIC has developed CONNECT, a unique networking event that provides technology startups with access to prominent BC technology leaders to receive valuable feedback and advice. This year, the BCIC Awards will be presented at the New Ventures BC Awards in recognition of outstanding achievement in BC's technology community.

REPORT ON PERFORMANCE

BCIC has refined its mission and strategic framework as a basis for setting all priorities and as such has developed and adopted a new set of measures to reflect this. As a result, this is the final year of review for the goals and measures outlined in this document. Please refer to the Council's 2010/11-2012/13 Service Plan to view BCIC's new goals and measures.

GOAL 1: TALENT DEVELOPMENT

Increasing human resource talent to meet the needs of BC's expanding technology sector

To address the need of BC's technology businesses for highly qualified personnel, BCIC is helping to build entrepreneurial talent in the province. BCIC developed programs for students from elementary through post-secondary levels to prepare them for careers in industry.

Objectives

- To increase the number of students pursuing careers in science and technology.
- To improve the skills of students and entrepreneurs in the BC science and technology community.

Strategies

- Increasing elementary and secondary student participation in science (such as science fairs), technology and business courses.
- Increasing student enrollment in undergraduate programs in science, technology and business at BC post-secondary institutions.
- Increasing research in technology through programs for graduate students.
- Creating partnerships between science and technology students and business students.
- Providing business planning resources for student-developed technologies.

| Measure 1A | | |
|-------------------------------------------------------------------------------------------------------------|---------|--------|
| Secondary – The number of students that are recipients of BCIC scholarships to enter undergraduate studies. | | |
| Target: Not Achieved* | | |
| Past Performance | 2009/10 | |
| 2008/09 | Target | Actual |
| 0 | 400 | 22 |

Programs

- BCIC Young Innovator Scholarship (undergraduate)
- TRIUMF (Tri-University Meson Facility) Fellowship

Partners

- BC Science Teachers' Association
- TRIUMF (Tri-University Meson Facility)
- Southern Interior Development Initiative Trust

Importance of measure

The future of BC's knowledge economy depends on student education and enthusiasm for science and technology. To realize this, BCIC developed the undergraduate entrance scholarship program which offers the most innovative and entrepreneurial students in BC schools the opportunity to enter science, technology and business programs in the province's post-secondary institutions.

*Reason for Variance

The performance against target is at variance because the Science Achievement Awards given to 300 top science students in BC in 2009/10 had a non-monetary value. While the Science Achievement Awards recognize excellence in student

REPORT ON PERFORMANCE

achievements and encourage them to enter undergraduate studies, they aren't used in the tabulation of measure 1A because they aren't categorized as "scholarships" as defined by the measure.

| Measure 1B | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|--------|
| Post secondary – The number of undergraduate, graduate students and post-graduates or post-doctorates that have been recipients of programs delivered by BCIC directly or jointly with other partners. | | |
| Target: Not Achieved* | | |
| Past Performance | 2009/10 | |
| 2008/09 | Target | Actual |
| 70 | 500 | 108 |

Programs

- BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]
- TRIUMF (Tri-University Meson Facility) Fellowship [undergraduate]
- Paul and Helen Trussell Science and Technology Scholarship [undergraduate – graduate]

Partners

- Precarn Inc.
- Northern Development Initiative Trust
- Southern Interior Development Initiative Trust

Importance of measure

BCIC's graduate scholarship programs increase the number of graduate students who are educated at a high level in technology innovation and entrepreneurship and who will enter careers in BC's technology industries. The programs also provide a point of access to additional resources such as proof of concept development, angel investment and venture capital that lead student innovations to commercialization.

*Reason for variance

The performance against target is at variance due to the wind-down of programs that make up this measure. This is a result of BCIC's refined focus on its new measures as presented in the 2010/11-2012/13 Service Plan.

GOAL 2: INNOVATION

Nurturing innovation that will ultimately lead to commercial success stories

To increase the number of innovative ideas that are ready for commercialization, BCIC provides programs and initiatives that invest in the people who will develop new technologies for commercialization. .

Objectives

- To build programs that encourage development of innovative ideas at all levels of the province's education system.
- To strengthen innovation through the research process and by its application in industry.
- To increase the quantity and quality of innovation in BC research institutions and industry.

Strategies

- Teaming science and technology graduate students to conduct research in technology.
- Developing high-level research teams at BC post-secondary institutions.
- Increasing partnerships between post-secondary institutions and industry.

REPORT ON PERFORMANCE

Measure 2

The number of business plans, prototypes, businesses and individuals that have been supported by BCIC programs.

Target: Exceeded*

| Past Performance | 2009/10 | |
|------------------|---------|--------|
| 2008/09 | Target | Actual |
| 175 | 80 | 246 |

Programs

- BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]
- Commercialization of Agricultural Technologies (CAT) Competition
- New Ventures BC Competition

Importance of measure

It is critical that the province's innovation culture be strengthened and that it motivates students and businesses to develop their ideas towards commercialization. BCIC remains a unique entity providing this vital development.

*Reason for variance

The performance against target is at variance because this measure was created in 2007 and at that time BCIC did not have the CAT Competition and did not have a partnership with New Ventures BC. As a result of BCIC's strong partnership with New Ventures BC starting in 2008, over 179 ideas and technology businesses plans moved towards commercial potential in the province. As a result of the CAT Competition, BCIC enabled 56 entrepreneurs to develop their business plans.

GOAL 3: COMMERCIALIZATION

Strengthening BC's economy by expediting innovative ideas to commercial success

To address the need for commercial success, BCIC's programs and initiatives increase the industrial application of research. BCIC closes the innovation to commercialization gap by establishing a range of business development resources, including access to experts, capital and international markets.

Objectives

- To increase the industrial application of research innovation, technology transfer and commercialization activities in key sectors of the economy.
- To increase the number of new businesses in the technology sector.

Strategies

- Increasing technology transfer to industry by partnering with research institution industry liaison offices.
- Increasing the engagement of the regional science and technology councils to act as commercialization resources.
- Increasing the number of new ventures by providing business planning and proof of concept development for innovations.
- Strengthening industry sectors by partnering with industry organizations and key industry leaders.

REPORT ON PERFORMANCE

Measure 3A

Measure: The number of companies that have been created and grown where BCIC programs and BCIC-partnered initiatives have had an impact.

Target: Exceeded*

| Past Performance | 2009/10 | |
|------------------|---------|--------|
| 2008/09 | Target | Actual |
| 12 | 13 | 39 |

Programs

- The industry collaboration component of BCIC Innovation Scholars | BCIC Commercialization Scholars [graduate]
- New Ventures BC Competition
- Commercialization of Agricultural Technologies (CAT) Competition

Importance of measures

It is imperative that BC is able to expedite the development of innovation to commercialization. Doing so increases the province's economic strength as well as its competitive advantage. BCIC supports technology projects after the research phase and the critical early stages of commercialization.

*Reason for variance

BCIC has exceeded its target for this measure by focusing on targeted initiatives that create and grow companies. As this is a priority for the Council, this measure reflects the results of BCIC's strong partnerships with industry, academia and government.

Measure 3B

Measure: The number of domestic and international actions that BCIC develops and participates in and their impact on the BC knowledge economy.

Target: Achieved

| Past Performance | 2009/10 | |
|------------------|---------|--------|
| 2008/09 | Target | Actual |
| 12 | 10 | 10 |

Partners

- BC Technology Industries Association
- LifeSciences BC
- AURP
- Bootup Entrepreneurial Society Digital Media Commercialization Program
- SIGGRAPH
- California Market Access Program for Canadian Technology Companies
- New Ventures BC Competition
- ACETECH
- Pacific Northwest Economic Region
- Fusion Forum Partnership, Startup Bootcamp & New Media Investor Readiness

REPORT ON PERFORMANCE

Importance of Measure

BCIC is uniquely positioned to build partnerships on behalf of the Province of British Columbia with industry, academia and other government across Canada and internationally. Through partnerships, BCIC has been able to secure continuing programs and initiatives in industry sectors, domestic regions and international markets of strategic need and importance to the province.

Measure 3C

Measure: The amount of leveraging of core funding that BCIC achieves with partners across all levels of government, institutions and industry.

Target: Not Achieved*

| Past Performance | 2009/10 | |
|------------------|-----------|-----------|
| 2008/09 | Target | Actual |
| 100:7:1 | 100:65:20 | 100:30:10 |

Ratio=Ministry funding: Other government and other ministry funding: Private sector companies, organizations and individuals

The Ministry funding is expressed as 100 and the following two as a percentage of Ministry funding

Partners

- Western Economic Diversification Canada
- People's Republic of China, Ministry of Science and Technology
- National Research Council - Industrial Research Assistance Program
- New Media BC
- Industry Canada
- Creekstone Consulting Inc.
- University of British Columbia
- University of Victoria

Importance of measures

This measure represents BCIC's valuable ability to lever funding through partnerships to secure programs. As a result of leveraged funds, BCIC is able to offer more value through its funding.

*Reason for variance

Due to the current economic climate, the contributions from the federal government and the private sector were less than anticipated and as a result the ratio in this measure was not met.

ADDITIONAL MEASURE: AWARENESS

Increased public awareness of science and technology

BCIC, in addition to increasing awareness of its activities, also increases awareness of BC's science and technology achievements provincially as well as internationally. It further increases international market opportunities for BC as a province rich with talent and innovative ideas – a location ideal to do business with. This is an integral part of the Council's activities because it builds a supportive culture for the technology industry.

Objectives

- Increase awareness of BC's science and innovation achievements locally and internationally.
- Increase awareness of the Council's activities and achievements.

REPORT ON PERFORMANCE

Strategies

- Increased on-line awareness of the Council's activities.
- Increasing media awareness and engagement.
- Increasing the Council's presence at international technology conferences.
- Sponsoring initiatives led by external organizations in the Council's core business areas.
- Increasing the awareness of science and technology excellence through the annual BCIC Awards Dinner.

Measure: The number of activities and exposure generated by BCIC activities, including attraction of key conventions and conferences to BC and working with our partners to grow awareness of BC's knowledge economy.

Target: Exceeded*

| Past Performance | 2009/10 | |
|------------------|------------|------------|
| 2008/09 | Target | Actual |
| 12,534,227 | 12,000,000 | 13,713,155 |

Importance of measure

Creating an environment that supports science and technology requires increasing the awareness of multiple audiences. An informed and supportive community nurtures innovation which ultimately leads to more commercial successes resulting in economic benefit for the province.

*Reason for variance

In recognizing the value of awareness to the future growth of BC's science and technology industries, BCIC focused its commercialization resources and added emphasis to generate media awareness and interest. As a result of the media coverage the 2009/10 target was exceeded. This measure is a count of media reach.

ADDITIONAL MEASURE: CLIMATE ACTION

Meeting the Provincial Government's Climate Change Initiatives

The Council is committed to reducing greenhouse gas emissions both internally and throughout the province. For example, research institution industry liaison offices and regional science technology were required to plan and report on Climate Action initiatives as a condition of their annual core funding. These initiatives are shared as best practices within their respective networks.

Objectives

- To reduce greenhouse gas emissions.
- To increase the awareness of staff and public's awareness of the importance of climate initiatives.
- To change the behaviour of British Columbians in order to decrease greenhouse gas emissions.

Strategies

- Brainstorming activities and initiatives to reduce greenhouse gas emissions.
- Implementing activities and initiatives in-house to reduce greenhouse gas emissions.
- Rewarding Council staff whose ideas support the climate action initiative.
- Encouraging all British Columbians to reduce greenhouse gas emissions by setting a good example and providing and/or participating in appropriate programs.

REPORT ON PERFORMANCE

Measure: Number of internal climate change initiatives participated in or developed by BCIC and its staff.

Target: Exceeded*

| Past Performance | 2009/10 | |
|------------------|---------|--------|
| 2008/09 | Target | Actual |
| 10 | 13 | 17 |

Measure: Number of external climate change projects adopted or initiated by BCIC that may be suitable for other agencies or business at large.

Target: Exceeded*

| Past Performance | 2009/10 | |
|------------------|---------|--------|
| 2008/09 | Target | Actual |
| 5 | 6 | 10 |

Importance of measures

The Government of British Columbia has fully committed to mitigating the effects of greenhouse gas emissions and other pollutants that contribute to climate change and global warming. BCIC recognizes that its contributions as a Crown agency as well those of its clients in the non-governmental sector will be important to attaining the Province's Climate Action targets

*Reason for variances

BCIC and its staff have put a strong effort towards achieving climate action goals and as such have collectively exceeded targets.

Benchmarking

BCIC is a unique organization with a valuable mandate; however, as BCIC continues to develop programs under its refined mission, it is investigating several organizations for benchmarking purposes. It is currently examining similar crown corporations, academic and private organizations focusing on entrepreneurial talent development and the commercialization of technologies.

Management's Confidence in Data Integrity

BCIC's performance management and reporting systems include two components: financial and operational. The financial processes and systems are discussed in the Management Discussion and Analysis section of this report.

Management is confident of the operational data utilized in reporting the results of its activities. BCIC's sources of data include in-house records maintained through electronic databases. These records are based on internal reports, external surveys, and in cases where BCIC supports initiatives implemented by other partner organizations, it requests appropriate records be maintained and reported back as a condition of support. Data is collected throughout the year depending on the activity and verified according to established reporting guidelines to ensure consistency from past years and across similar activities.

Due to the nature of the data, accuracy is limited by human error. The level of confidence for internal data is at a higher level than those submitted externally. However, BCIC strives to verify questionable data as part of the monitoring process for reports submitted externally.

SHAREHOLDER'S LETTER OF EXPECTATIONS

| Key Shareholder's Letter of Expectations' Sections | BCIC's Response |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| i) Continue to financially support, and ensure accountability for, the University Industry Liaison Offices and the British Columbia Regional Science and Technology Network (BCRSTN) and its member councils; | BCIC finances nine research institution industry liaison offices as well as the BCRSTN and each of its nine regional councils. BCIC is continuing to ensure their accountability by issuing each of these organizations with a Shareholder's Letter of Expectations outlining strategic priorities and high-level performance expectations. |
| ii) Provide administrative support for the British Columbia Foundation for Research in Science and Technology (BCFRST) – the decision making body which coordinates the programs being launched under the \$50 million Natural Resources and Applied Sciences Research Endowment; | BCIC has continued to provide administrative support to BCFRST and is currently finalizing the award recipients for its two programs: the Research Team Program and Private Sector Collaborative Program. |
| iii) Continue to develop and initiate programs that support the creation, growth and retention of promising, small technology companies, industry relevant research and the attraction, development and retention of HQP in British Columbia; | BCIC has developed new programs, such as Entrepreneurship@ and the ACETECH Regional Outreach Program that enable the growth of new companies and encourage HQP to stay in the province. |
| iv) Encourage, assist and facilitate government, industry and academia in the evaluation, development and transfer of ideas, technologies, commercialization opportunities and innovations supporting Government's Climate Action and Clean Energy goals/initiatives; | BCIC through its programs and partnerships, converts clean technology innovations to commercial successes. For example, the Council provided six BC companies with the opportunity to develop their clean technology ideas by facilitating access to experts and industry influencers. |
| v) Provide advice to the Minister, as requested, in support of the advancement of research and innovation and the entrepreneurial science and technology culture in British Columbia; | BCIC serves in an advisory function to the Minister of Small Business, Technology and Economic Development. It also provides advice on technology research, innovation and commercialization to other ministries such as: the Ministry of Energy, Mines and Petroleum Resources for bioenergy; the Ministry of Agriculture and Lands for agriculture and food; and the Ministry of Forestry for bioenergy and bioproducts. |
| vi) Establish research and innovation agreements and initiatives with international governments, businesses and institutions; | BCIC actively promotes the province's technology companies internationally and whenever advantageous, creates partnership agreements. |

SHAREHOLDER'S LETTER OF EXPECTATIONS

| | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>vii) Continue to implement applicable recommendations arising out of Global CONNECT's Report on Integrating and Enhancing Innovation in British Columbia and the Premier's Technology Council's 10th Report on Innovation and Commercialization, as well as the 11th Report focused on integration of Industrial Design in the innovation and commercialization process;</p> | <p>Following on the recommendations in the Global CONNECT Report, BCIC continues to provide annual financial support to research institution industry liaison offices. The Council has launched programs to develop entrepreneurial talent in academic institutions.</p> <p>BCIC worked with the Ministry of Small Business, Technology and Economic Development on streamlining IP policy in the province during 2009/2010.</p> |
| <p>viii) Implement Climate Action and Clean Energy goals/ initiatives in order to assist the Province in achieving its greenhouse gas emission reduction target of 33 per cent by 2020;</p> | <p>BCIC is developing and has implemented Climate Action and Clean Energy initiatives through its internal and external activities. Research institution industry liaison offices and regional science technology councils were also required to plan and report on Climate Action initiatives as a condition of their annual core funding.</p> |
| <p>ix) Reflect the actions outlined in Sections i) to viii) above in the Council's 2009/10 Service Plan; and,</p> | <p>The 2009/10 Service Plan reflects the contents of the SLE, as received.</p> |
| <p>x) Identify and bring to the Minister's attention those opportunities, gaps or initiatives currently beyond realization due to the Council's budget, or other resource constraints, that could significantly impact the state of innovation within British Columbia.</p> | <p>The Council considers the following initiatives important and if not pursued due to fiscal or other constraints, could result in significantly impacting the state of innovation within British Columbia.</p> <ol style="list-style-type: none"> 1. The continued development of a network of early stage incubators for startups in key technology sectors. 2. Adequate access to early stage seed funding for pre-revenue companies. |

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

A summary of the BC Innovation Council's financial results is presented below. Chart A details BCIC's current operations, with comparison to budget and the prior year's figures. The chart also includes the results of operations for the previous four years as well as forecast figures for the next three years. Forecasts are consistent with the 2010/11 Service Plan.

BCIC has received reduced funding in fiscal 2009/2010 compared to the previous year and has adjusted its operations accordingly.

BCIC's FTE positions are detailed on the chart.

Chart A

| SUMMARY OF FINANCIAL RESULTS AND BUDGET PROJECTIONS | | | | | | | | | | | |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|--------|----------|----------|----------|----------|----------|
| (in thousands of dollars) | | | | | | | | | | | |
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | | | | 2010/11 | 2011/12 | 2012/13 |
| | | | | | | | BUDGET | YEAR | | | |
| | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | BUDGET | VARIANCE | VARIANCE | FORECAST | FORECAST | FORECAST |
| Revenues | | | | | | | | | | | |
| Province of BC | | | | | | | | | | | |
| Annual Funding | 3,824 | 4,445 | 5,272 | 5,293 | 4,500 | 4,500 | - | (793) | 4,500 | 4,500 | 4,500 |
| Additional Funding | | | 4,000 | 4,000 | 4,000 | 4,000 | - | - | 4,000 | 4,000 | 4,000 |
| | 3,824 | 4,445 | 9,272 | 9,293 | 8,500 | 8,500 | - | (793) | 8,500 | 8,500 | 8,500 |
| External Program Funding | 2,844 | 1,499 | 778 | 345 | 213 | 250 | (37) | (132) | 126 | 210 | 210 |
| Internal Program Funding | | | 1,057 | 6,390 | 2,195 | 2,195 | - | (4,195) | - | - | - |
| Interest and Other | 1,372 | 626 | 1,173 | 217 | 62 | 168 | (106) | (155) | 44 | 45 | 45 |
| Total Revenues | 8,040 | 6,570 | 12,280 | 16,245 | 10,970 | 11,113 | (143) | (5,275) | 8,670 | 8,755 | 8,755 |
| Expenditures | | | | | | | | | | | |
| Programs and Initiatives (2) | 4,218 | 4,031 | 5,389 | 11,016 | 8,079 | 5,873 | 2,206 | (2,937) | 5,670 | 5,690 | 5,616 |
| Operating/General Admin (2) | 758 | 727 | 1,332 | 3,069 | 648 | 2,735 | (2,087) | (2,421) | 848 | 860 | 882 |
| Salaries and Benefits | 1,025 | 1,119 | 1,902 | 1,869 | 1,915 | 2,100 | (185) | 46 | 1,796 | 1,842 | 1,887 |
| Rent | 161 | 160 | 184 | 227 | 254 | 340 | (86) | 27 | 278 | 285 | 292 |
| Amortization | 28 | 29 | 40 | 64 | 74 | 65 | 9 | 10 | 78 | 78 | 78 |
| Total Expenditures | 6,190 | 6,066 | 8,847 | 16,245 | 10,970 | 11,113 | (143) | (5,275) | 8,670 | 8,755 | 8,755 |
| Excess (Deficiency) of Revenue over Expenditure (3) | 1,850 | 504 | 3,433 | - | - | - | - | - | - | - | - |
| Funds Committed to Future Programs (1) | 14,191 | 17,549 | 20,249 | 13,866 | 11,722 | 11,671 | 51 | (2,144) | 11,694 | 11,666 | 11,638 |
| Capital Expenditures | 48 | 23 | 105 | 124 | 78 | 85 | (7) | 46 | 50 | 50 | 50 |
| Total FTE's | 13 | 13 | 19 | 26 | 21 | 22 | (1) | 5 | 22 | 22 | 22 |
| Total Debt | - | - | - | - | - | - | - | - | - | - | - |
| (1) | The balance of Funds Committed to Future Programs includes net assets and deferred revenue balances. Year-to-year changes include Excess (Deficiency) of Revenue over Expenditures, increases in capital assets, and changes to deferred revenues as detailed in Note 5 to the audited financial statements. For forecast purposes Internal Program Funding represents the use of Funds Committed to Future Programs as approved by Treasury Board. | | | | | | | | | | |
| (2) | Reclassification of programs expenditures from Operating/General Admin to Program and Initiatives to better reflect the nature of expenditures. | | | | | | | | | | |
| (3) | To be consistent, last years deficit has been incorporated into the internal program funding line as budgeted in this fiscal year. (\$5,442k) | | | | | | | | | | |
| (4) | The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles. | | | | | | | | | | |

FINANCIAL REPORT

Natural Resources and Applied Sciences (NRAS) Research Endowment Fund

In the 2005/06 fiscal year BCIC was charged with stewarding \$50 million from the Province of British Columbia for the Natural Resources and Applied Sciences (NRAS) Research Endowment Fund. As an endowment, it is expected that the capital will be preserved and the interest earnings spent on program activities. In 2009/10 \$2,000,000 was allocated to program initiatives.

Chart B

| NATURAL AND APPLIED SCIENCES ENDOWMENT FUND | | | | | | | | | | | |
|---------------------------------------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| (in thousands of dollars) | | | | | | | | | | | |
| | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | | | | 2010/11 | 2011/12 | 2012/13 |
| | | | | | | BUDGET | YEAR | | | | |
| | ACTUAL | ACTUAL | ACTUAL | ACTUAL | ACTUAL | BUDGET | VARIANCE | VARIANCE | FORECAST | FORECAST | FORECAST |
| NRAS Endowment Fund | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | | | 50,000 | 50,000 | 50,000 |
| Interest Accumulated, Beginning | | - | 2,059 | 4,273 | 3,031 | 3,031 | - | 1,242 | 1,209 | 109 | 9 |
| Annual investment income | | 2,059 | 2,214 | 1,756 | 176 | 300 | (122) | 1,580 | 900 | 900 | 900 |
| Program expenditures | | | | (3,000) | (2,000) | (2,000) | - | (1,000) | (2,000) | (1,000) | (909) |
| Forecast Interest Balance | | 2,059 | 4,273 | 3,031 | 1,209 | 1,331 | (122) | 1,822 | 109 | 9 | - |

Assessment of Changes in Results and Reasons for Significant Variances and Trends

Funding from the Ministry of Small Business, Trade and Technology has been reduced to \$8.5 million in 2009/10, and it is expected to remain stable for the next three years.

Other revenues reflect funds received from external, non-Ministry sources and include proceeds from annual event ticket sales and sponsorship, fees for services and direct and deferred programs funding. Internal Program Funding includes revenue for program activities funded through net assets reserves and deferred programs revenue, which was approved by the Government.

BCIC's interest income has decreased due to a very low rate of return on its investments.

BCIC has reclassified some of its programs and initiatives expenditures from Operating/General Admin to Programs and Initiatives to better reflect the nature of the expenditures. Hence, there is a difference between the actual and budget of Programs and Initiatives and Operating/General Admin.

BCIC was close to its targeted expenditures, which is off by \$143,000 (1.3%) due to the decrease in administration cost. BCIC management strove to reduce the operating and administration cost in order to funnel the savings to support existing/new programs. During the year, staffing had been streamlined; as a result, BCIC's FTEs have decreased. However, new hiring is expected to achieve the goals outlined in the service plan.

BCIC had subleased some of its office spaces for earning rental income; therefore, the rental expenditures are not as high as originally budgeted.

BCIC's capital expenditures are primarily for office and computer equipment and computer software.

Major Risks and Opportunities that Affected Financial Performance

The primary risk associated with the financial performance of BCIC is based upon the level of contributions it receives from principal funders. With growing fiscal restraint on BCIC's funding sources, annual funding levels have a significant impact on BCIC's operations. Strategies to mitigate this risk include ongoing communications with BCIC's existing and potential funding sources, in order to build awareness of the level of support required. In addition, BCIC explores the development and implementation of programs and initiatives that are either self-supporting or leveraged with other revenue generating sources. BCIC has significant

FINANCIAL REPORT

reserves; however, if reserves are frozen this will impair the development and roll out of future programs and initiatives.

With the establishment of the Natural Resources and Applied Sciences Endowment Fund, interest rate levels are a significant factor in the fund's income; the primary goal of investing the endowment is preservation of the principal.

Information on Subsidiaries

The Council's financial results are combined with those of the BC Advanced Systems Foundation (BCASF). In 2004, the Province of British Columbia announced a merger between the Innovation and Science Council of BC and the BCASF. At that time, the Council became known as the BC Innovation Council and its management team operated the affairs of the BCASF on its behalf. As directed by the Minister, the Council entered into an assignment and assumption agreement on March 30th, 2007, whereby the assets and liabilities of BCASF were formally transferred to the Council to effect the original intention of the merger. BCASF is in the process of being wound up and it is expected that an Order in Council will formally complete that process in the near future.

FUTURE OUTLOOK

While the current uncertain economic climate is of continued concern, BCIC has a valuable leadership role in the province and is confident that government and other funding will continue at strong levels. BCIC plans to focus its efforts and launch a number of programs and initiatives under its new refined mission, and also plans to continue to leverage funds from multiple sources.

BCIC will continue to work with its partners and will develop new partnership opportunities for the purposes of building more efficient and valuable programs. An example of this is the Entrepreneurship@UVIC program where partners involved are Wesley Clover, Alacrity Foundation, MITACS, University of Victoria and WD. Additional early stage entrepreneurship development programs are expected to be launched during 2010/11.

STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of the Council are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied and appropriate in the circumstances. The preparation of financial statements necessarily involves the use of estimates which have been made using careful judgment. In management's opinion, the financial statements have been properly prepared within the framework of the accounting policies summarized in the financial statements and incorporate, within reasonable limits of materiality, all information available up to May 28, 2010. The financial statements have been reviewed by BCIC's Audit Committee and approved by the Board of Directors.

Management maintains and relies on a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and that reliable and relevant financial information is available on a timely basis.

The financial statements have been examined by independent external auditors. The external auditors' responsibility is to express their opinion on whether the financial statements, in all material respects, fairly present BCIC's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibility for financial reporting and internal controls. The Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the financial statements before recommending approval by the Board of Directors and appointment of external auditors. The external auditors have full and open access to the Audit Committee, with and without the presence of management.

Supplementary Documents and Statements

The signed Auditors' Report, Audited Financial Statements and accompanying notes to the financial statements (see page 33).

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

**Combined Financial Statements of
BRITISH COLUMBIA INNOVATION COUNCIL
Year ended March 31, 2010**



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Burnaby BC V5H 4N2

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Fax (604) 527-3636
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AUDITORS' REPORT TO THE DIRECTORS

We have audited the combined statement of financial position of British Columbia Innovation Council (the "Council") as at March 31, 2010 and the combined statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2010 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

April 30, 2010

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Financial Position

March 31, 2010, with comparative figures for 2009

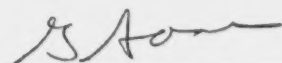
| | 2010 | 2009 |
|-------------------------------------------------|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents - unrestricted | \$ 2,736,193 | \$ 7,232,697 |
| Cash and cash equivalents - restricted (note 5) | - | 6,679,604 |
| Short term investments - unrestricted | 4,456,107 | - |
| Short term investments - restricted (note 5) | 5,246,023 | - |
| Accounts receivable | 71,846 | 95,934 |
| Prepaid expenses | 92,610 | 25,104 |
| | 12,602,779 | 14,033,339 |
| Restricted cash and cash equivalents (note 6) | 18,568,633 | 53,031,42 |
| Restricted short term investments (note 6) | 32,640,683 | - |
| Long-term investments (note 3) | 21 | 22 |
| Capital assets (note 4) | 208,909 | 204,109 |
| | \$ 67,268,890 | \$ 76,136,267 |

Liabilities and Net Assets

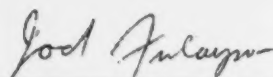
| | | |
|------------------------------------------|---------------|---------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 1,089,440 | \$ 317,260 |
| Deferred program revenues (note 7) | 5,246,023 | 6,679,604 |
| | 6,335,463 | 7,050,864 |
| NRAS endowment liability (note 8) | 51,209,316 | 53,031,420 |
| Net assets: | | |
| Invested in capital assets | 208,909 | 204,109 |
| Unrestricted | 6,267,337 | 6,982,497 |
| | 6,476,246 | 7,186,606 |
| Commitments and contingencies (note 7) | | |
| Contractual obligations (note 8) | | |
| Employee future benefits (note 9) | | |
| | \$ 64,021,025 | \$ 67,268,890 |

See accompanying notes to the combined financial statements.

Approved on behalf of the Board:



Director



Director

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Operations

March 31, 2010, with comparative figures for 2009

| | 2010 | 2009 |
|--------------------------------------------|--------------|----------------|
| Revenue: | | |
| Province of British Columbia | \$ 8,500,000 | \$ 9,293,000 |
| Program revenue (note 5) | 1,484,204 | 1,057,374 |
| Revenue from NRAS Endowment | 2,000,000 | 3,000,000 |
| Interest | 60,054 | 414,363 |
| Other income | 213,207 | 344,945 |
| Gain (loss) on equity investments (note 3) | 1,999 | (197,354) |
| | 12,259,464 | 13,803,288 |
| Expenses | | |
| Program expenses and disbursements: | | |
| Talent development and innovation | 134,993 | 5,869,702 |
| Contribution to NRAS program (note 6) | 2,000,000 | 3,000,000 |
| Commercialization | 1,500,526 | 495,086 |
| Science and technology fund | 2,951,030 | 3,437,030 |
| Sector programs | 647,830 | 569,051 |
| International program | 1,296,544 | 645,673 |
| Communications and recognition | 313,904 | 440,380 |
| Amortization | 73,522 | 63,939 |
| Operations | 4,051,475 | 4,724,066 |
| | 12,969,824 | 19,244,927 |
| Deficiency of revenue over expenses | \$ (710,360) | \$ (5,441,639) |

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Changes in Net Assets

March 31, 2010, with comparative figures for 2009

| | Invested in capital assets | Unrestricted | 2010 Total | 2009 Total |
|-------------------------------------|----------------------------------|--------------|---------------|---------------|
| Balance, beginning of year | \$ 204,109 | \$ 6,982,497 | \$ 7,186,606 | \$ 12,628,245 |
| Deficiency of revenue over expenses | (73,522) | (636,838) | (710,360) | (5,441,639) |
| Invested in capital assets | 78,322 | (78,322) | - | - |
| Balance, end of year | \$ 208,909 | \$ 6,267,337 | \$ 6,476,246 | \$ 7,186,606 |

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Combined Statement of Cash Flows

March 31, 2010, with comparative figures for 2009

| | 2010 | 2009 |
|-----------------------------------------------------------|---------------|----------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Deficiency of revenue over expenses | \$ (710,360) | \$ (5,441,639) |
| Items not involving cash: | | |
| Amortization of capital assets | 73,522 | 63,939 |
| Realized (gain) loss on disposal of long term investments | (1,999) | 197,354 |
| Changes in non-cash operating working capital: | | |
| Accounts receivable | 24,088 | 4,970 |
| Prepaid expenses | (67,506) | (17,872) |
| Accounts payable and accrued liabilities | 718,180 | (1,242,795) |
| Deferred program revenues | (1,433,582) | (941,599) |
| | (1,397,656) | (7,377,642) |
| Investments: | | |
| Net change on short-term investments | (42,342,813) | 22,908,323 |
| Proceeds on sale of long-term investments | 2,000 | 123,953 |
| Purchase of capital assets | (78,322) | (123,535) |
| Decrease in Endowment Fund | (1,822,104) | (1,214,344) |
| | (44,241,239) | 21,667,397 |
| Increase (decrease) in cash and cash equivalents | (45,638,895) | 14,289,755 |
| Cash and cash equivalents, beginning of year | 66,943,721 | 52,653,966 |
| Cash and cash equivalents, end of year | \$ 21,304,826 | \$ 66,943,721 |

See accompanying notes to the combined financial statements.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2010

1. Authority and purpose:

British Columbia Innovation Council (the "Council"), was established in 2006 by an amendment of the Innovation and Science Council Act to the British Columbia Innovation Council Act (the "Act").

The Council is governed by a Board of Directors, who is appointed by the provincial government of British Columbia (the "Province"). The Council is exempt from the payment of income taxes under section 149 of the Income Tax Act.

The combined statements reflect the operations of the Council and the British Columbia Advanced Systems Foundation ("BCASF").

Under Section 13 of the Act, directors, officers, and employees of the Council have certain immunities in the exercise of their duties carried out in their connection with the Council.

The Council's mandate is to support applied research and commercialization of science and technology in order to foster province-wide economic development.

2. Significant accounting policies:

(a) Basis of accounting and presentation:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid securities with original terms to maturity of three months or less when purchased and have been classified as held for trading.

(c) Short-term investments:

Short-term investments, which are recorded at amortized cost, less any impairment losses, include investments with original terms to maturity of greater than three months and less than one year when purchased and are classified as held-to-maturity.

(d) Long-term investments:

Long-term investments, which include investments with original terms to maturity of greater than one year when purchased, are classified as available for sale and are recorded at market value. Gains and losses related to changes in market values are recorded in changes in net assets until the investment is disposed of or de-recognized.

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2010

2. Significant accounting policies (continued):

(e) Capital assets:

Capital assets are amortized based on the methods and rates as shown in the schedule below:

| Asset | Amortization |
|-----------------------------------|------------------------------------------------------------------|
| Furniture, fixtures and equipment | 20% declining balance |
| Computer hardware and software | 33% declining balance |
| Leasehold improvements | Lesser of the term of the lease and the useful life of the asset |

Management has reviewed the carrying value of the capital assets and determined that there is no impairment.

(f) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received, if the amounts can be estimated and collection is reasonably assured. Government grants not restricted as to their use are recognized as revenue when received or receivable. Other unrestricted revenue, including sales of services and products, are reported as revenue at the time the services are provided or the goods delivered. Investment income on unrestricted assets is recognized as revenue when it is earned.

Contributions externally restricted for non-capital specific purposes are recorded as deferred revenue and recognized as revenue in the year in which the related expense is incurred.

Investment income on deferred revenue balances is deferred and recognized as revenue in the year in which the related expense is incurred.

The Council provides office services to certain entities, the revenue from which is netted against the cost, with any margin reflected in other income.

(g) Employee future benefits:

The Council accrues employee vacation entitlements. The Council is a member of the Public Service multi-employer pension plan (note 9).

FINANCIAL STATEMENTS: BC INNOVATION COUNCIL

BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2010

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant areas requiring the use of management estimates include the determination of useful lives of capital assets for amortization and the accrual of liabilities. Actual results may differ from these estimates.

(i) Adoption of accounting standards:

(i) Financial instruments:

During the Council's 2010 fiscal year, the CICA announced that not-for-profit organizations could elect to continue to apply Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, in place of Handbook Sections 3862, *Financial Instruments – Disclosure* and 3863, *Financial Instruments – Presentation*. The Council has elected to continue to apply the financial instrument disclosure and presentation standards in accordance with Section 3861.

(ii) Revisions to Not-for-Profit accounting standards:

Effective April 1, 2009, the Council adopted the amendments to CICA Handbook Sections 4400, *Financial Statement Presentation by Not-for-Profit Organizations*, and 4470, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*. The amendments removed the requirement to disclose net assets invested in capital assets, clarified capital asset recognition criteria and amortization, expanded interim financial statement requirements to not-for-profit organizations that prepare interim financial statements, and added a requirements for disclosure of allocated fundraising and general support expenses by not-for-profit organizations, and a requirement to follow Handbook Section 1540, *Cash Flow Statements*. The application of these amendments did not have a material impact on the Council's financial statements.

(j) Future accounting changes:

The Fund is classified as a not-for-profit organization. The Accounting Standards Board and Public Sector Accounting Board have released an exposure draft relating to the future of financial reporting by not-for-profit organizations. The Fund is in the process of reviewing the potential impact of the proposals on its reporting framework and financial statements.

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BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2010

3. Long-term investments:

Long-term investments are share investments of previous BCASF program participant corporations received in exchange for all or a portion of loan or royalty interests. As at March 31, 2010, the Council has assessed the shares held of private held corporations to have nominal market value. As such, these investments are recorded at a nominal value of \$1 each for each company shareholding. The market value of the long-term investments as at March 31, 2010 is \$21 (2009 - \$22).

4. Capital assets:

| | | | 2010 | 2009 |
|-----------------------------------|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Furniture, fixtures and equipment | \$ 155,567 | \$ 77,439 | \$ 78,128 | \$ 54,047 |
| Computer hardware and software | 359,701 | 229,111 | 130,590 | 146,441 |
| Leasehold improvements | 27,770 | 27,579 | 191 | 3,621 |
| | \$ 543,038 | \$ 334,129 | \$ 208,909 | \$ 204,109 |

5. Deferred program revenues:

| | 2010 | 2009 |
|--------------------------------------------|--------------|--------------|
| Balance, beginning of year | \$ 6,679,604 | \$ 7,621,203 |
| Federal contributions | - | 280,000 |
| Other contributions | 31,235 | 71,929 |
| Investment income | 19,388 | 82,478 |
| Reduction in award commitments | - | 31,399 |
| Refunds | - | (459,071) |
| Less amounts amortized to program revenues | (1,484,204) | (948,334) |
| Balance, end of year | \$ 5,246,023 | \$ 6,679,604 |

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Year ended March 31, 2010

6. Natural Resources and Applied Science Research Endowment ("NRAS"):

In fiscal year 2005/2006, the Council was charged with stewarding \$50,000,000 from the Ministry of Economic Development for the support of training, research and development in natural and applied sciences. As an endowment liability, it is required that the capital will be preserved. As such, restricted cash and short term investments of \$51,209,447 equal to the endowment liability are restricted.

Investment income earned from restricted cash and short-term investments related to the endowment liability are credited directly to the endowment liability on the statement of financial position. These amounts are recognized as revenue when they are spent or disbursed in accordance with the restrictions of the endowment.

The endowment liability is calculated as follows:

| | 2010 | 2009 |
|-------------------------------------------|---------------|---------------|
| NRAS Endowment principal | \$ 50,000,000 | \$ 50,000,000 |
| Interest accumulated at beginning of year | 4,272,764 | 4,272,764 |
| Annual interest income | 1,758,656 | 1,758,656 |
| Program expenditures | (2,000,000) | (3,000,000) |
| Interest balance, end of year | 1,209,316 | 3,031,420 |
| Total balance principal plus interest | \$ 51,209,316 | \$ 53,031,420 |

During the year ended March 31, 2010 the Council contributed \$2,689,097 (2009 - \$5,945,500) to the Vancouver Foundation, into a fund to be known as the British Columbia Innovation Council Fund. Of this amount, \$2,000,000 (2009 - \$3,000,000) was contributed from the interest earnings on the NRAS Endowment and the remaining amounts were contributed from the Council's general revenues and are included in Sector and International Programs expense. The Council's program directors provide input as to the disbursement decisions from this fund.

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BRITISH COLUMBIA INNOVATION COUNCIL

Notes to the Combined Financial Statements

Year ended March 31, 2010

7. Commitments and contingencies:

(a) The Council's offices are occupied under a long-term lease with varying terms to November 29, 2014. Minimum annual payments include the Council's estimated share of utilities and other costs of occupancy.

(b) The Council is committed to lease a photocopier until August 2013 at a quarterly rental of \$3,396.

Total lease payments for the next five years are as follows:

| | |
|---------------------|------------|
| 2011 | \$ 280,777 |
| 2012 | 301,428 |
| 2013 | 321,126 |
| 2014 | 339,773 |
| 2015 and thereafter | 221,125 |

8. Contractual obligations:

The Council has entered into a number of project grant contracts as at March 31, 2010 for the future funding of research projects to be completed subsequent to the year end.

These contractual obligations are funded in installments and payments are due based on conditions included in the contract being satisfied. As such, no liability has been accrued in the financial statements as the Council is not liable for payments until these conditions have been met.

The research project contractual obligations of the Council as at March 31, 2010 are \$550,563 (2009 - \$2,243,644).

9. Employee future benefits:

The Council and its employees contribute to the Public Service Pension Plan (the "Plan") in accordance with the *Public Sector Pension Plans Act* (the "Act"). The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. As the Plan is a multi-employer, defined benefit plan, the Council accounts for its payments on the basis of a defined contribution plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the Plan members and will be reflected in their future contributions. The most recent actuarial valuation (March 31, 2008) indicated a surplus of approximately \$487 million. The plan covers approximately 58,000 active employees. The next required valuation will be as of March 31, 2011 with results available in 2012.

During the year, the Council paid and expensed \$149,996 (2009 - \$131,508) to the Plan.

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BRITISH COLUMBIA INNOVATION COUNCIL Notes to the Combined Financial Statements

Year ended March 31, 2010

10. Capital management:

The Council receives its principal source of capital through funding received from government agencies. The Council defines capital to be net assets.

The Council's objective when managing capital is to fund its operations and capital asset additions. The Council manages the capital structure and makes adjustments based on the funding available and economic conditions. Currently, the Council's strategy is to monitor expenditures to preserve capital in accordance with budgeted funding.

The Council is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes is used for the purpose outlined in the funding letter. Non-compliance with external restrictions may result in reductions of future funding for designated purposes.

11. Financial instruments:

The Council's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their immediate or short term to maturity. Short-term investments are measured at amortized cost, which approximates fair value due to their short term to maturity. The fair market values of long-term investments are disclosed in note 3.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.



BRITISH
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